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COMMERCIAL INTERCOURSE WITH THE CONFEDERACY IN THE MISSISSIPPI VALLEY, 1861-1865¹

Among the many changes brought about by the outbreak of the civil war none was harder to realize than the fact that the country was in reality divided. The sway of two presidents where only one had ruled before made in itself no immediate great difference outside the realm of the mind and the imagination. But the fact that a well-knit economic unit had been suddenly broken squarely in two was fraught with the most perplexing consequences. That the northern and southern portions of the United States were almost absolutely dependent upon each other, and that neither part could live alone economically, was everywhere recognized. With such an attitude of mind prevailing, the war was begun and fought for months before a real change came. In fact too many people, obsessed with the idea of "business as usual," never realized that to fight an enemy and trade with him at the same time was contrary to good military strategy as well as to the theory of international law.

The problems that met the United States government in dealing with this question were almost insurmountable—in fact many of them were never settled until the causes that produced them ceased to exist. In the first place, it was difficult for the commercial classes to comprehend the fact that one of the most important movements in the whole field of American commercial activities, the trade between the north and the south, should absolutely cease. Again, the difficulty of determining exactly the limits of the southern confederacy and, therefore, the fron-

¹ This paper was read at the annual meeting of the Mississippi valley historical association in St. Paul, May 10, 1918.

tiers across which no trade should go was soon evident. Furthermore, in the early days of the secession movement the question arose as to what attitude was to be taken toward such border states as Kentucky and Missouri. Should they while trying to make up their minds as to their allegiance serve as a highway and supply station for stocking the confederacy with war materials, or should the federal government restrict trade with them and thereby run the risk of driving them into the arms of the south? Even after the limits of the confederacy were once fixed, it was soon evident that its area would not be a constant quantity. What attitude, then, should be assumed toward the conquered territory in trading with its inhabitants? It was not a foregone conclusion that a policy of complete and absolute stoppage of all trade in every sense with the confederacy would be desirable, in view of the fact that certain southern products, especially cotton, were almost a necessity for the successful waging of the war. Even with all these problems settled, the question as to who should be responsible for carrying out any policy the government should adopt remained to complicate the situation. To make conditions still more complex, on account of human weakness too prone to go unchecked in the face of almost unlimited opportunities for gain, the announced policy and trade regulations of the government very seldom were actually and fully carried out.

The government vacillated from an intention, announced in the beginning, of completely stopping trade with the insurrectionary regions to an almost unrestricted intercourse near the end of the war. The policy at any given time was difficult for the persons concerned to untangle from the maze of acts of congress, followed up by rules and regulations of the treasury department, proclamations of the president, and general orders interpreting these given out by army officers. All of which led Rear-Admiral D. D. Porter to say, "It requires a nice distinction on the part of an officer to discriminate in these matters and not run against the regulations of the Treasury Department, and I am sorry to say that some of my command commit blunders enough. I can give them all orders, but I cannot furnish them with brains."²

² *War of the rebellion: a compilation of the official records of the union and confederate armies* (Washington, 1880-1901), first series, 31: part 1: 781.

As has been intimated, the United States government was slow to adopt any policy whatsoever regarding the breaking of trade between the two sections. For seven months after the confederacy had launched on its career as an independent power, no action had been taken by congress or the president toward laying down a policy concerning commercial intercourse between the north and the south in the Mississippi valley. It is true that the secretary of the treasury, Chase, on May 2, 1861, issued a set of rules "To Collectors, Surveyors, and other Officials of the Customs on the Northern and Northwestern Waters of the United States," which were designed to prevent munitions of war from reaching the confederacy; but they were feeble in their operation and in no way declared a general policy for the United States.³ On July 13, congress acted by declaring that all commercial intercourse should cease with the insurrectionary regions whenever the president should by proclamation so order; but there was this sinister proviso: "That the President may in his discretion, license and permit commercial intercourse with any such part of said State or section, the inhabitants of which are so declared in a state of insurrection, in such articles, and for such time, and by such persons, as he, in his discretion, may think most conducive to the public interest"—such intercourse to be carried out under rules laid down by the secretary of the treasury.⁴ With this clear mandate the president refrained from acting until August 16, when he issued a proclamation declaring all commercial intercourse with the insurrectionary regions at an end "without the special license and permission of the President, through the Secretary of the Treasury."⁵ During these seven months of indecision, however, an immense amount of material had been flowing to the confederacy through the border states, especially Kentucky.⁶

³ *Illinois Weekly State Journal*, May 15, 1861; *Crisis* (Columbus, Ohio), May 16, 1861.

⁴ *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 432.

⁵ *Ibid.*, 38 congress, 1 session, 6: no. 3: 428.

⁶ See E. M. Coulter, "Effects of secession upon the commerce of the Mississippi valley," in *MISSISSIPPI VALLEY HISTORICAL REVIEW*, 3: 275-300. President Lincoln used great skill and tact in his dealings with the border states during the early period of the secession movement. He was criticised as being criminally negligent and lax in not cutting off trade with such states as Kentucky. The result of his policy was seen in that the border states did not secede.

Through the permit system which soon grew up under the guidance of a multiplicity of treasury regulations, the federal government could play fast and loose in its policy of trading with the insurrectionary regions. In fact at no time during the four years of the war did the government settle down to a policy of absolute non-intercourse with the confederacy. There was constantly present a disturbing element which prevented an airtight application of the rules, however strict they might be: the government was never quite convinced that it could get along without southern products. At times the secretary of the treasury proposed visionary and fantastic plans whereby the treasury coffers would be almost filled from the profits that might accrue in one way or another from a continuance of this trade. And it is by no means improbable that foreign pressure had its influence on the steadfastness with which the regulations were being carried out. In the light of this, Grant's drive in the west down into Tennessee takes on a new significance as being almost as much a campaign for opening up commerce with that region as for bringing about a military decision.⁷ The whole policy, whatever it might be, harmonized ill with the legal fiction that the states were still in the union. The impossibility of the situation was very shrewdly brought out in the contention of an importer at Boston that he should not pay the customhouse one-half cent a pound import duties on two hundred bales of cotton from New Orleans, as they were "exempt from duty, being the production of the United States returned to this country."⁸ Chief Justice Taney in disposing of a case in the federal courts of Maryland declared that one Carpenter who had refused

⁷ England and other European nations had early made anxious representations to the United States concerning a relaxation of the blockade of southern ports. Secretary Seward wrote Charles Francis Adams at London in 1862 that trade was reviving so "that it may be expected to increase fast enough to relieve the painful anxieties expressed to us by friendly nations. The President has given respectful consideration to the desire informally expressed to me by the Governments of Great Britain and France for some further relaxation of the blockade in favor of that trade." *American annual cyclopaedia and register of important events* (New York, 1862-1875), 1862, p. 228. This gives new significance to the New Orleans campaign. Immediately upon the capture of that city Seward addressed to foreign diplomats a letter stating that New Orleans and other ports now closed would soon be opened for limited shipments. *Ibid.*

⁸ *Merchants' magazine and commercial review*, 48: 493.

to secure a permit was within his right, as congress had no power to restrict or interfere with the domestic and internal commerce of a state.⁹

As the federal government was never settled in its general policy for commercial intercourse, it is to be expected that it would be equally unsettled on important minor parts of that policy. Should the border states be considered as lying outside the restricted area? The policy as embodied in the act of congress of July 13 and the president's proclamation soon following certainly excluded them from any trade restrictions. But the conditions at any given moment were always taken by the treasury department as governing the situation. Kentucky especially came in for particular treatment and is an interesting study in itself. As a general statement it is true that this state for the greater part of the war was regarded more as a member of the southern confederacy than as a part of the United States.¹⁰ By the summer of 1862, rules were in force that all trade on the Ohio river below Wheeling, excepting Louisville, and on the

⁹ *American annual cyclopaedia*, 1863, p. 202.

¹⁰ Until 1864 the part of the state beyond the Cumberland river to the west was considered enemy territory and little or no trade was allowed, although much was carried on directly with the confederate forces, despite the rules. This system as it was applied to Kentucky was peculiar. It was largely in the hands of the local federal army officials and at times it was so run into fraud and political proscription as greatly to arouse the whole state. Governor Bramlette in his message to the legislature in January, 1865, said boards of trade had been set up "to pass upon and determine who should buy and sell not only in the ordinary course of trade, but for family supplies. As administered in Kentucky, it was a most shameful and corrupt system of partisan political corruption and oppression." *Kentucky senate journal*, 1865 (adjourned session, 1863-1864), 11. For more particulars on this situation see Lewis Collins, *Collins' historical sketches of Kentucky. History of Kentucky . . . revised, enlarged . . . and brought down to . . . 1874*, by Richard H. Collins (Covington, 1874), 1: 147, 156; *American annual cyclopaedia*, 1862, p. 540; also see, for the basis of these regulations, *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 411. The restrictions on Kentucky and Missouri trade were finally removed in 1864, much to the detriment of the federal forces in the field. *American annual cyclopaedia*, 1864, p. 189; *Merchants' magazine and commercial review*, 40: 241; *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 32: part 2: 427; *ibid.*, first series, 41: part 2: 535. D. E. Sickles at Memphis wrote Lincoln, May 31, 1864, "The removal of restrictions upon trade in Kentucky, Missouri, and West Virginia opened an extensive frontier through which the enemy are supplied." *Ibid.*, first series, 39: part 2: 60; 32: part 3: 233; *House reports of committees*, 38 congress, 2 session, no. 24: 61, 62.

Mississippi river below the mouth of the Des Moines, excepting St. Louis, should be allowed only by permit.¹¹

The license or permit system was a failure from beginning to end. As long as trade was permitted at all, it was sure to come into unworthy hands and to be carried on contrary to law. Elaborate restrictions were thrown up around the securing and use of permits: all steamboats were required to bear treasury officials known as "aids to the revenue" whenever they entered the restricted areas, and all permits had to state the destination, route, consignee, and value of the goods. Trading was to be carried on with loyal people only.¹² Surveyors of the customs at different towns were to grant them and to "use liberally, though cautiously, the discretion with which they are intrusted."¹³ It is needless to add that they were more liberal than cautious; for soon old permits were being called in and new ones issued with greater care.¹⁴ In 1863, the power to grant permits was restricted to special agents residing in the larger cities, and no permit could be allowed to run for a longer period than one month.¹⁵

This system was designed to apply especially to commerce in the invaded regions and, according to the secretary of the trea-

¹¹ *Senate executive documents*, 37 congress, 3 session, 1: no. 1: 268; *ibid.*, 38 congress, 1 session, 6: no. 3: 416.

¹² *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 13: 698-700; *Senate executive documents*, 37 congress, 3 session, 1: no. 1: 268-270; Collins, *Historical sketches of Kentucky*, 1: 115, 121. There was to be no charge for permits as they "are not intended to impose additional expenses or burdens of any kind upon trade, or to impede or in any manner interfere with the freedom of legitimate and proper transportation and travel." *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 8: 585.

¹³ *Ibid.*

¹⁴ A fee of twenty cents was required for every permit granted, and a small charge was made for goods taken in and brought out of restricted areas—as for instance, five cents on every hundred dollars' worth of goods above three hundred dollars taken in, and fifty cents on every thousand pounds of cotton brought out. These charges were made merely to provide for the expenses of the system. *Senate executive documents*, 37 congress, 3 session, 1: no. 1: 269; *Cincinnati Daily Commercial*, March 31, 1862.

¹⁵ *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 8: 834; *American annual cyclopaedia*, 1863, p. 199. Special agencies existed in the west at Pittsburgh, Wheeling, Cincinnati, Madison, Lawrenceville, New Albany, Evansville, Paducah, Cairo, Quincy, St. Louis, Nashville, and Memphis. *Ibid.*, 1863, p. 200.

surey in 1862, "No licenses or permits have been granted for commerce with the inhabitants of the insurrectionary districts beyond the limits of such occupancy."¹⁶ But often it was difficult to determine what region was occupied and what was not, since armies maneuvered in the open. Furthermore, Grant's rapid progress into Tennessee and beyond made it difficult to be certain that the region was effectively occupied and therefore safe for opening trade. The opportunity for illegal trading here is evident, as trade regulations followed close upon the heels of the army.¹⁷ According to a federal army officer this was "made necessary by the persistent efforts of persons in the loyal States who sympathize with those engaged in the rebellion, and by peddlers and corrupt traffickers, many of whom have come from disloyal States and sections for this purpose, to smuggle goods, medicines, and other supplies through to the insurgents."¹⁸

By the summer of 1862 Grant's troops had reached the northern part of Alabama and were in the midst of the cotton area. Immediately a mad scramble for cotton set in. Everything seemed to be prostituted toward that end. Army supply trains groaned along laden with cotton instead of provisions and munitions of war. Army officers as well as civilians engaged in the trade. As high as \$4,000 was cleared on sixty bales. According to one of the army officers, "I at first let everybody trade in cotton, but soon found my camps infested with Jews, secessionists, and spies, and had to issue an order confining the business to a few, whom I could restrain as sutlers under military law."¹⁹ Another officer in despair wrote, "My hard-earned reputation as a soldier is being frittered away hourly by Southern Traitors and Northern thieves. Cotton is the corrupting element."²⁰

In 1863, after the fall of Vicksburg and Port Hudson, the entire course of the Mississippi river was freed from obstructions

¹⁶ *Senate executive documents*, 37 congress, 3 session, 1: no. 1: 27.

¹⁷ *America annual cyclopaedia*, 1862, p. 227; *Cincinnati Daily Commercial*, March 8, 1862; *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 8: 584; 10: part 2: 19; 17: part 2: 21, 396.

¹⁸ *Ibid.*, first series, 17: part 2: 585.

¹⁹ *Ibid.*, first series, 13: 553.

²⁰ *Ibid.*, first series, 41: part 2: 328. For other phases of this early cotton scramble see *ibid.*, first series, 10: part 2: 80, 262, 638, 639; 16: part 2: 80, 183; *American annual cyclopaedia*, 1862, p. 227.

and soon trade under certain restrictions was allowed through the whole river system. The most flagrant violation of the rules occurred daily. Colonel Lafayette C. Baker, chief of the national detective police, said, "It seems incredible that in the midst of the most tragical scenes that war has ever created, the very arena of conflict should be the busy field of mercenary and lawless trade."²¹

In December, 1863, the first boatload of sugar and molasses arrived in Louisville from New Orleans and the old river trade was soon in full swing again.²² Boats of every description began plying up every bayou and creek, trading and trafficking with whomever they met. According to General C. C. Washburn, "They invite rebel officers and soldiers on board, and drink and hobnob together."²³

The war had not been going long before the trade policy of the federal government was in bad need of more exact definition in general as well as in detail. Secretary Chase admitted that "The duty of regulating commercial intercourse . . . between the rebel and the loyal States . . . has been found exceedingly arduous and perplexing."²⁴ His policy in general was that "commerce should follow the flag."²⁵ More particularly he would "allow . . . between parts of states fully restored and loyal states . . . the freest commercial intercourse compatible with prevention of supplies to persons within rebel lines." Beyond this region but still within the federal

²¹ Lafayette C. Baker, *History of the United States secret service* (Philadelphia, 1867), 368.

²² Collins, *Historical sketches of Kentucky*, 1: 129. The *Louisville Democrat* on July 22 said, "With a warm glow of satisfaction we inform the public that a boat is loading for New Orleans. . . This day's dawn will break with additional splendor in the Valley of the Mississippi." Quoted in *Cincinnati Daily Commercial*, July 24, 1863. See also *ibid.*, July 25, 27, 1863, *passim*. In an order to the army, General N. P. Banks announced that the trade of New Orleans with the upper Mississippi, Missouri and Ohio rivers "is hereby declared free of any military restrictions whatever." This became effective September 3, 1863. For additional points on the steamboat situation see *Merchants' magazine and commercial review*, 48: 102; *Senate executive documents*, 37 congress, 2 session, 4: no. 2: 181, 183, 200, *passim*.

²³ *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 39: part 2: 27; 31: part 3: 361; 32: part 1: 515; 39: part 2: 27.

²⁴ *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 23.

²⁵ *Senate executive documents*, 37 congress, 2 session, 4: no. 2: 24.

lines he would allow "such intercourse sanctioned by the commanding general, as may be required to supply the inhabitants with necessaries." Beyond the federal lines "there can be no intercourse except that of a character exclusively military."²⁶ The act of congress of July 13, 1861, the basis for the treasury rules, was not designed to set up trade relations in the revolted states at all. It seems to have contemplated the taking care of abandoned property and the feeding of the conquered regions rather than the fostering of trade.²⁷

On account of the loophole left in the power to the president to grant permits, the whole system demanded revision. The rules of the secretary of the treasury comported ill with the intention of the law. Senator Morrill said, "It is understood that a very large trade has sprung up under these regulations; so that the committee were led to believe that the exception came very near being the rule itself . . . and under these rules and regulations it is believed that a system of general abuse grew up."²⁸ The first step came in the act of congress of March 12, 1863, which related especially to captured or abandoned property. Secretary Chase said that prior to the passage of this legislation "the status of the law, and the terms of the original proclamation, made it difficult to act with much efficiency or usefulness, and the regulation of the trade was assumed almost exclusively by the military authorities."²⁹

The theoretical policy of complete non-intercourse by 1863 began to disintegrate gradually through treasury regulations until by the beginning of 1865 there was almost unrestricted trade and wild speculation. The entering wedge was the division of the occupied area into "special agencies" which in turn were divided into numerous trade districts. Under presumably strict regulations private traders were allowed to set up trade stores, to take in a certain monthly allowance ostensibly for the civilian population, and to take out unlimited amounts.³⁰

²⁶ Secretary Chase to a Memphis agent, July 3, 1863. *American annual cyclopaedia*, 1863, p. 198.

²⁷ *Senate executive documents*, 37 congress, 2 session, 4: no. 2: 24; *American annual cyclopaedia*, 1865, p. 184.

²⁸ *Congressional globe*, 38 congress, 1 session, 3: 2821.

²⁹ *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 23.

³⁰ This system was set up by elaborate treasury regulations September 11, 1863.

As the armies moved forward the districts, from necessity, were being constantly changed.³¹ Commercial intercourse beyond the lines of military occupation was again strictly forbidden,³² but the order was largely nullified by a provision setting up fantastic "supply districts" which on the very face of the matter would have to exist between the areas occupied by the union and confederate armies—a sort of "no man's land" and a rather dangerous region for trade, to say the least.³³ The allowance of passage for "plantation supplies" was another source of fraudulent trade.³⁴ The abuses of the trading stations were so flagrant as to cause an honest person to lose faith in the integrity of his fellowman. Memphis was the center of a truly gigantic traffic directly with the confederacy. A federal army officer charged that "Memphis has been of more value to the Southern Confederacy since it fell into Federal hands than Nassau."³⁵ On one section of the lines, it was estimated, \$50,000 worth of supplies was going through to the confederacy every day, and on another section, \$100,000 worth. Forty barrels of flour daily were said to have gone through the lines at Vicksburg for a long period of time. Senator Chandler charged that up to June, 1864, between \$20,000,000 and \$30,000,000 worth of supplies had gone through to the confederacy at Memphis alone.³⁶ Small unimportant places such as the mouth of the White river and Milliken's Bend supported a traffic completely out of all proportion to the needs of the community. At the former place the trade amounted to \$100,000 monthly, and at the latter it was estimated at \$1,000 per day. For the whole interior taken together, the estimate of the traffic going directly

Ibid., 38 congress, 1 session, 6: no. 3: 410-422. Other regulations soon followed. *American annual cyclopaedia*, 1863, p. 200 ff. *House of representatives executive documents*, 38 congress, 2 session, 7: no. 3; *ibid.*, 39 congress, 1 session, 6: no. 3; Collins, *Historical sketches of Kentucky*, 1: 124.

³¹ *House of representatives executive documents*, 39 congress, 1 session, 6: no. 3: 334.

³² *Ibid.*, 38 congress, 1 session, 6: no. 3: 411.

³³ *Ibid.*, 38 congress, 1 session, 6: no. 3: 412.

³⁴ *House reports of committees*, 38 congress, 2 session, no. 24: 65, *passim*.

³⁵ *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 39: part 2: 22; *American annual cyclopaedia*, 1864, p. 190.

³⁶ *Congressional globe*, 38 congress, 1 session, 4: 3324.

to the confederacy was \$500,000 a day. River steamers became more bold in their miserable traffic. In one instance a steamer ferried a confederate battery across the Mississippi and was rewarded with \$2,000 in gold.³⁷

The first clear expression of the federal trade policy for commerce beyond the lines of military occupation came in January, 1864, through rules promulgated by the secretary of the treasury and approved by President Lincoln. Besides serving other purposes, it was an adroit move to influence the population back of the confederate lines. Any person in the confederacy who would bring his products to the federal lines and take an oath of loyalty might receive twenty-five per cent of the value in "notes of the United States or Treasury notes," and a receipt for the remainder, which in the meantime would be deposited in the federal treasury; and if at the end of the war the owner could prove his consistent and continued loyalty, he might receive the balance.³⁸ This rift in the policy greatly augmented the fraudulent trade carried on through the trade districts. The federal commander at Memphis said, "The past and present system of trade has given strength to the rebel army, while it has demoralized and weakened our own."³⁹

Finally, the whole farce of the regulation of trade as it was being carried out would have been ridiculous had it not been fraught with such serious possibilities. Colonel L. C. Baker said, "Probably never in the world's history, were the opportunities so many and great for speculation as during the secession war, nor more extensive operations than in the 'land of cotton' through the permits granted for traffic in the staple of the South."⁴⁰ Congress took up the discussion in the summer of 1864, and made discoveries that were appalling. A member

³⁷ *American annual cyclopaedia*, 1864, p. 190. Attempts were later made to close the lines at Memphis (May 10, 1864). *Ibid.*; *The rebellion record: a diary of American events with documents, narratives, illustrative incidents, poetry, etc.*, edited by Frank Moore . . . with an introductory address on the causes of the struggle, and the great issues before the country, by Edward Everett (New York, 1866), 11: 481.

³⁸ *American annual cyclopaedia*, 1864, p. 190; *House of representatives executive documents*, 39 congress, 1 session, 6: no. 3: 330, 331; *Merchants' magazine and commercial review*, 40: 242.

³⁹ *American annual cyclopaedia*, 1864, p. 190.

⁴⁰ Baker, *History of the United States secret service*, 335.

of the committee on commerce investigating the conditions feared to make public the findings, stating that "if I were to mention the facts, they would make the cheeks of every American Senator tingle with shame." Continuing, he said, "Under the permission to trade, supplies have not only gone in, but bullets and powder, instruments of death which our heroic soldiers have been compelled to face and meet upon almost every field of battle in which they have been engaged in the South."⁴¹

A new law was passed on July 2, 1864, taking away the power of the president to grant permits which had been given in the act of July 13, 1861.⁴² The intention of congress was to stop completely the commerce between the United States and the confederacy. The private trader was to be eliminated and all commerce that was necessary in the occupied districts was to be under government agents. But instead of cutting off trade, it threw it wide open. The first intimation came with the promulgation on September 24 by the secretary of the treasury, Fessenden, of a set of rules approved by Lincoln on the same day, allowing any person whatsoever who owned products in the confederate lines (the presumption being that they would be confederates) to bring them in to a government agency and receive three-fourths of their market value in New York in greenbacks. This completely nullified the law as congress intended it. The amazement of the senate was almost without bounds when, on examining more closely the measure, it found that section eight clearly warranted the new rules. Many senators believed that the section had been inserted fraudulently. This was not the case, however; the secretary of the treasury was responsible for its wording, and congress had swallowed it without knowing fully its contents.

This was not all. The senate was left little less than dumbfounded when it discovered that according to an executive order of September 24 goods to one-third the value of goods brought out might be taken through the lines directly into the confederacy.⁴³ Fessenden was called upon for an explanation.

⁴¹ *Congressional globe*, 38 congress, 1 session, 2: 2823.

⁴² *House of representatives executive documents*, 38 congress, 2 session, 7: no. 3: 342-345; *American annual cyclopaedia*, 1865, p. 184; *House reports*, 46 congress, 1 and 2 sessions, 3: 618: 1-11.

⁴³ *House of representatives executive documents*, 38 congress, 1 session, 7: no. 3: 348, 349. *Congressional globe*, 38 congress, 1 session, 1: 271, 272.

His reply showed that he was either grossly misinformed in one of the most important fields of his duties, or that he was side-stepping the issue in a consummate fashion. Technically speaking, an executive order is not a treasury order, but he came perilously close to showing profound ignorance, if not mendacity, when he said, "nor have other or additional instructions affecting this point [taking goods into the confederacy] been given to any of the agents of this department."⁴⁴

Under this wide-open policy the most amazing transactions took place. Designed to induce the confederates to bring their products out rather than destroy them to prevent them from being confiscated, the system made it possible for speculators to slip through the lines, buy up large amounts of cotton, and reap fabulous profits.⁴⁵ Under the working of the policy, permits were actually granted to persons to go in to get the cotton. The most glaring frauds arose in the use of these permits. One, allowing 15,000 bales of cotton to be brought out, was changed to read 50,000. In another, the word Louisiana was added to enlarge the region to which the permit would apply.⁴⁶ Speculators knew no bounds. A company organized with a capital of \$500,000 expected to make profits aggregating over \$10,000,000.⁴⁷ Permits for "probably not less than 2,000,000 of bales" were granted to persons to operate in the Mississippi valley. At times whole military campaigns were almost nullified by dishonest traders and speculators who, in the words of General

⁴⁴ *House reports of committees*, 38 congress, 2 session, no. 24: 8.

⁴⁵ According to the confiscation act of 1862, the very products that were now being paid for were subject to confiscation. This discrepancy was excused by claiming that no cotton would be captured, as the confederates would destroy it on the approach of the union forces. This plan would at least secure the cotton, which was very badly needed.

⁴⁶ *Ibid.*, 38 congress, 2 session, no. 24: 29 ff. An investigating committee reported that "Contracts, certificates, and presidential orders have been materially altered and changed. It is in proof that orders of the president have been altered without his knowledge or consent." *Ibid.*, 38 congress, 2 session, no. 24: 2. Permits were obtained only by the more fortunate, so that the permit itself sold at fancy prices. A one-fourth interest in a permit to bring out 15,000 bales of cotton (fraudulently changed to 50,000) was sold for \$2,000. *Ibid.*, 38 congress, 2 session, no. 24: 38; *Congressional globe*, 38 congress, 2 session, 1350. See also 8 Wallace, 185.

⁴⁷ *House reports of committees*, 38 congress, 2 session, no. 24: 17, 18, 65. Another company was organized with a capital of \$5,000,000 to engage in the Mississippi valley trade. H. A. Risley, a high treasury official, laid himself open to grave charges in his use of permits. *Ibid.*, 38 congress, 2 session, no. 24: 2 ff.

Canby, "follow in the track of the army, traffic in its blood, and barter the cause for which it is fighting, with all the baseness of Judas Iscariot, but without his remorse."⁴⁸ He claimed that speculators had a prospective interest in every bale of cotton in the Mississippi valley, and that it was, therefore, to their interest to disrupt every movement of federal forces into the interior which might effect its capture. He claimed that confederate armies both east and west of the Mississippi had been almost completely provisioned by this trade, and that it added strength to the confederates equal at least to 50,000 men.⁴⁹

New Orleans was an important center for this traffic. The disgraceful scramble for southern products, in the opinion of a congressional committee which investigated it, "is believed to have led to the prolongation of the war, and to have cost the country thousands of lives and millions upon millions of treasure."⁵⁰ A senator even intimated that doubtless there were senators who had their price in connection with the possibilities of this

⁴⁸ *House reports of committees*, 38 congress, 2 session, no. 24: 4.

⁴⁹ *Ibid.*, 38 congress, 2 session, no. 24: 3; *American annual cyclopaedia*, 1864, p. 191; *Executive documents*, 38 congress, 2 session, no. 16: 2, 3; *Congressional globe*, 38 congress, 2 session, 272, 1354. There was a curious and baffling mix-up of the different kinds of property. In the summer of 1863, Secretary Chase divided all property into four classes: abandoned, captured, commercial, and confiscable, with a different procedure and set of rules applying to each. "Commercial property is that which had been or may be sold and purchased under the license of the President, through permits granted by the officers of the Treasury Department." *American annual cyclopaedia*, 1863, p. 197. Often the army would capture property and turn it over to the quartermaster's department. The treasury would claim it as abandoned property, and presently a private speculator would lay claim to it as being covered by some contract or permit of his, and too often would get it. *House reports of committees*, 38 congress, 2 session, no. 24: 74.

⁵⁰ The report read in part: "It is the judgment of your Committee that the trade which has been carried on with the insurrectionary States since the breaking out of the rebellion, apparently sanctioned under the sanction of law, has been of no real benefit to our government; but on the other hand, has inflicted very great injury upon the public service. It has induced a spirit of speculation and plunder among the people, who have entered into a disgraceful scramble for wealth during a time of war, and has fed the greed of gain which must wound the public morals. It has tended to the demoralization and corruption of the army and navy by the exhibition of the vast rewards which have accrued from this trade and from the temptation and bribery with which they have been constantly assailed." The committee concludes "that it is of no earthly service to the United States, but an irreparable injury, and that it does but little if any good to the inhabitants for whose benefit, to a certain extent, it has been authorized." *Ibid.*, 38 congress, 2 session, no. 24: 1, 2, 4.

trade.⁵¹ Business morality reached a very low ebb. A person who had watched what was taking place said, "I do not believe there is an honest man on the Mississippi river connected with cotton permits in any way; the temptations are so great they cannot withstand it. As honest men as you can find in the country go down there and become contaminated."⁵² It would have been almost a miracle if of the host of treasury officials some had not been found dishonest; but the facts seem to indicate that it was almost a miracle to find one that was honest. Rear-Admiral D. D. Porter said, "a greater pack of knaves never went unhung," and declared that the whole prospect was like setting the rats to watch the cheese to see that the mice didn't get it.⁵³

Opportunities for engaging in this highly speculative and remunerative trade came to the soldiers and sailors and were irresistible. The army in the west under Grant early ran into the cotton region. The service began to show immediately the evil effects of the trading that sprang up. Upon entering Tusculum, Alabama, army officers seized more than \$2,000,000 worth of cotton and divided the proceeds.⁵⁴ Grant and Sherman soon put a stop to the further trading by soldiers, and with many other army officers began a campaign against trading at all by anyone. Sherman summed up his position by saying, "We cannot carry on war and trade with a people at the same time."⁵⁵ There was

⁵¹ Senator Collamer said a speculator could afford to bribe every senator with \$100,000 and pay \$1,000,000 to each engrossing secretary. *Congressional globe*, 38 congress, 2 session, 273.

⁵² *House reports of committees*, 38 congress, 2 session, no. 24:121.

⁵³ *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 31: part 1: 780, 781. A senator said of these treasury officials, "Taken as a class in their offices they are the most pestiferous set connected with the Government, the most obnoxious to justice and the most injurious to us as a people." *Congressional globe*, 38 congress, 2 session, 274. The secretary of the treasury put up a tame defense for his officials. Secretary Chase claimed that only persons "of known intelligence and probity" had been appointed. *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 23. Secretary McCulloch, later, claimed charges of corruption were "generally instigated by malice or disappointed cupidity." *House of representatives executive documents*, 39 congress, 1 session, 6: no. 3: 40.

⁵⁴ *Congressional globe*, 37 congress, 3 session, 62, 63, 1330-1335, 1428.

⁵⁵ At the beginning of the war some thought as a matter of course that all trade would be completely sealed with the south, and that in this a great weapon would be effectively used. Late in 1861, an observer remarked "It is easy to see the situation of the States on the Mississippi must soon be deplorable if Cairo and New Orleans

much ill-will between the army and the treasury department over this subject.⁵⁶ Conditions were most aggravated in the case of the navy. According to the interpretation of international law concerning naval captures, prizes might be taken wherever found. As a result the federal gunboats in the Mississippi valley began to operate with the main object of capturing cotton. "Naval wagon trains" as they were called, a sort of land fleet, would scour the country from ten to fifteen miles back of the rivers and bring in large amounts of cotton which would be divided as lawful naval prize. Many officers grew rich. Senator Chandler claimed that more than \$100,000,000 was realized by western gunboat crews in this manner.⁵⁷ The law of July 2,

continue to be blockaded. The advance of our forces is all that can save them from starvation, if one-half told here is true." *Cincinnati Daily Commercial*, December 10, 1861. Grant was particularly bitter against the policy of allowing trade. He said, "I regard a mercenary pretended Union trader within the lines of our army as more dangerous than the shrewdest spy." *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 24: part 3: 119. Again, "My experience in West Tennessee has convinced me that any trade whatever with the rebellious States is weakening to us of at least 33 per cent. of our force. No matter what the restrictions thrown around trade, if any whatever is allowed it will be made the means of supplying to the enemy all they want. Restrictions, if lived up to, make trade unprofitable, and hence none but dishonest men go into it. I will venture that no honest man has made money in West Tennessee in the last year, whilst many fortunes have been made there during the time." *Ibid.*, first series, 24: part 3: 538. A naval commander characterized the trade atmosphere of the whole Mississippi valley as "reeking with a corruption more pestilential and fatal than the malaria of its swamps. . . In trade, at least, the dull quiet of annihilation is preferable to the baleful activity that springs from fermenting and festering decay of all the higher and more noble elements of commercial life." *Ibid.*, first series, 39: part 2: 267; see also *ibid.*, first series, 33: part 3: 150.

⁵⁶ The army was not to interfere with the treasury regulations "unless under some imperative military necessity"; but it was to help carry out the rules to such extent as "can be given without manifest injury to the public service." *American annual cyclopaedia*, 1863, p. 196. A witness testified as to the army's reverence for authority, "The officers in command down there [Memphis] do not regard the laws of Congress, the regulations of the Treasury, nor the orders of the President. . . ." *House reports of committees*, 38 congress, 2 session, no. 24: 110.

⁵⁷ *Congressional globe*, 38 congress, 2 session, 1351; 38 congress, 1 session, 3: 2821. Senator Chandler continued, "As I understand it, the Navy first began stealing cotton, and stole very largely—many million dollars' worth. Then the army came in and seized cotton, and there came a controversy between the Army and Navy; and finally we passed a law prohibiting both the army and the navy from touching cotton, and placing this matter in the hands of the Treasury agents." *Ibid.*, 38 congress, 2 session, 1349. Senator Ten Eyck said that not only were treasury agents dishonest, "but men engaged in carrying our flag, not only upon land but upon the

1864, put an end to this practice, by declaring that no property taken on the inland waters should be considered maritime prize.⁵⁸

The treasury department unwittingly worked to bring about just this loose state of affairs. The secretary believed that through the interposing of the government between the trader and the market the treasury would secure a large amount of revenue. It is estimated that the treasury actually realized about \$1,500,000 from its trade policy.⁵⁹

The treasury, influenced by powerful private industries, clung to the idea that a continuance of this trade was worth more as an economic advantage to the north than its stoppage would amount to as a military weapon against the south.⁶⁰ As has been suggested, whole military campaigns were, to use the words of a senator, "directed more with a view to carry on trade and to procure the productions of the southern country than to strike down the rebels and put rebels under their feet."⁶¹ Senator Grimes demanded that the government either "carry on this war as a war, or let us else disband the army and let the treasury undertake to trade us through the war."⁶² Senator Collamer facetiously suggested that the government "withdraw all your Army, and enlist a large force of Yankee peddlers . . . to

internal waters" have been debauched by this trade, and he feared that "under plea of maritime capture raids have been set on foot, extending inland many miles." *Ibid.*, 38 congress, 1 session, 3: 2823.

⁵⁸ *House executive documents*, 38 congress, 2 session, 7: no. 3: 343. There was much opposition to this clause (section 7) in the debate in the senate. *Congressional globe*, 38 congress, 2 session, 349, *passim*. See also *House executive documents*, 38 congress, 1 session, 6: no. 3: 436-439; *American annual cyclopaedia*, 1863, p. 196.

⁵⁹ *House of representatives executive documents*, 39 congress, 1 session, 6: no. 3: 39; *ibid.*, 38 congress, 2 session, 7: no. 3: 27; *ibid.*, 38 congress, 1 session, 6: no. 3: 23; *House reports of committees*, 38 congress, 2 session, no. 24: 74, 202.

⁶⁰ A. A. Low, president of the New York chamber of commerce, said, "When barriers are erected against that trade; when free course from their sources to their mouth is interrupted, the spirit of commerce dictates that these barriers shall be removed." *Merchants' magazine and commercial review*, 48: 454; 44: 787; *Congressional globe*, 38 congress, 1 session, 3: 2823. Secretary Fessenden said, "Whether the hopes which may have been indulged of a considerable revenue to the government from this source [trade policy] are realized or not, the incidental advantage of getting to market a reasonable supply of the products referred to would compensate any effort made by government in that direction." *House of representatives executive documents*, 38 congress, 2 session, 7: no. 3: 27; *Congressional globe*, 38 congress, 2 session, 1352.

⁶¹ *Ibid.*, 38 congress, 1 session, 3: 2823.

⁶² *Ibid.*, 38 congress, 2 session, 2: 1352.

go down there and trade them all out; clean them out in trade.”⁶³ Among the laxities of the trade policy may also be mentioned the entrance of much gold and good United States securities into the hands of the confederates who established large credit balances in Europe on them.⁶⁴ The question of what should be considered contraband of war was never settled satisfactorily for all concerned. The treasury had its list, the army had its list, and each private trader had his list.⁶⁵ Space does not permit a discussion here of the bearing of the confederate trade policy upon the general conditions.⁶⁶ As the confederacy fell to pieces, the trade restrictions were removed by degrees until on Septem-

⁶³ *Congressional globe*, 38 congress, 2 session, 2: 1354. Senator Collamer also said, “It seems to me that it is an utter mistake to attempt to hold illicit intercourse with our enemies, bribed to it by the value of their products which we want. It is an exceeding unnatural connection — a love of money on one side and a pretended patriotism on the other.” *Ibid.*, 38 congress, 2 session, 1: 273. Late in 1862 Grant had advocated the government’s putting a stop to all trade troubles by buying all cotton at a fixed price; “then all traders (they are a curse to the army) might be expelled.” *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 17: part 2: 422.

⁶⁴ The policy was constantly changing. At times gold was allowed to pass through the lines, and the secretary of the treasury defended the action by claiming that gold could be of no more use to the confederates than the cotton that was being exchanged for it. Sherman and Grant were particularly bitter against this policy. For further facts see *American annual cyclopaedia*, 1862, p. 227; *Congressional globe*, 38 congress, 2 session, 1: 273; *Merchants’ magazine and commercial review*, 48: 411; *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 17: part 2: 123, 140, 155, 186; third series, 2: 350; *Senate executive documents*, 37 congress, 3 session, 1: no. 1: 268; *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 416; *ibid.*, 39 congress, 1 session, 6: no. 3: 331.

⁶⁵ *House reports of committees*, 38 congress, 2 session, no. 24: 183; *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 32: part 2: 137; *House of representatives executive documents*, 38 congress, 1 session, 6: no. 3: 419.

⁶⁶ For the policy of the confederacy see *American annual cyclopaedia*, 1862, p. 253, 259, 264, 267; *Merchants’ magazine and commercial review*, 40: 233, 234; *War of the rebellion: a compilation of the official records of the union and confederate armies*, first series, 4: 532, 533, 504, 505, 450, 451; 10: part 1: 37; 17: part 2: 839; 24: part 3: 610; 26: part 2: 418, 558; 31: part 3: 744, 834; 52: part 2: 701; fourth series, 1: 111, 1077; *Executive documents*, 38 congress, 2 session, no. 16: 14, 15, 16, 22; *Statutes at large of the provisional government of the Confederate States of America from the institution of the government, February 8, 1861, to its termination, February 18, 1862, inclusive* (Richmond, 1864); James D. Richardson, *Compilation of the messages and papers of the confederacy, including the diplomatic correspondence, 1861-1865* (Nashville, 1905).

ber 1, 1865, every vestige of remaining rules was swept away and the country was again made whole, at least commercially.⁶⁷

The federal government at no time ever had a well-balanced, unified policy regarding trade with the confederacy. There were too many departments trying to determine the proper relations and the method of their execution. This led to a maze of rules which baffled the best minds in their solution, and made possible the rise of a most reprehensible trade of immense proportions. At no time did the trade regulations for the interior approach in effectiveness the naval blockade of southern ports. In effect, the United States alone was trading with a people whose commerce was shut off from all other foreign nations. There can be but little doubt that the confederacy did get immense amounts of war material through the lines; and that the military campaigns in the Mississippi valley were at times seriously involved in and hindered by trade with the confederates.

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⁶⁷ *War of the rebellion: a compilation of the official records of the union and confederate armies*, third series, 5: 103; first series, 43: part 2: 860; third series, 5: 103-105; *American annual cyclopaedia*, 1865, p. 185; *House of representatives executive documents*, 39 congress, 1 session, 6: no. 3: 328.